

# **EXHIBIT 38**

**BrasFELS**

27<sup>th</sup> September 2011

Our Ref: Q/N087/11/SETE/R2

**SETE BRASIL PARTICIPAÇÕES S.A.**

Rua Humaitá, 275, sala 1302

CEP 22261-005, Rio de Janeiro - RJ

Attn: João Carlos de Medeiros Ferraz  
Pedro José Barusco Filho

Reference: Letter of Invitation dated of June 14, 2011  
Proposal for Newbuild DSS 38E-DP3 Semisubmersible Rigs

Dear Sir,

**PROPOSAL FOR NEWBUILD DSS38E-DP3 SEMISUBMERSIBLE RIGS**

Reference to our latest discussion on latest round of Petrobras tenders, we hereby present our proposal for Semi Submersible Drilling Rig based on the KFELS DSS38E-DP3 design. Our firm proposal is as follows:

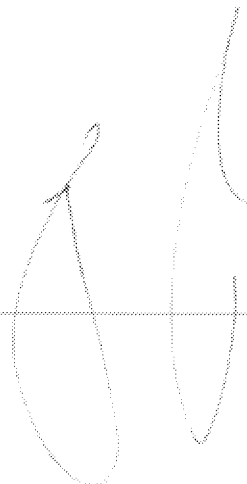
**1. PRICE & DELIVERY**

Our firm price & delivery schedule to provide design, engineering, procurement of materials and equipment to construct six (6) units of KFELS DSS38E-DP3 delivery ex-yard BrasFELS is presented as below. A Keppel FELS internationally designated company will execute the contract, and will subcontract the Brazilian portion of the work to BrasFELS Ltda.

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**BRASFELS S. A.**

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Slot	Price	Delivery of unit from contract award
1	USD798,000,000	48 months
2	USD812,160,000	58 months
3	USD812,160,000	66 months
4	USD812,160,000	74 months
5	USD812,160,000	82 months
6	USD812,160,000	90 months

The price above is based on six (6) units contracted as a package with delivery schedule tabulated above.

The portion of the price in R\$, as set forth in Appendix B hereto, is pegged at USD\$1.00=R\$1.56 applying the escalations formula set out in Appendix A.

Prices offered as our base case do not include any projected price escalations during construction duration. The formulas to cover these escalations, if any, are set forth in the draft EPC Contract Terms and Conditions (Contract Formula). However, as indices required for such Contract Formula may not be available, it is agreed that until such time as the Contract Formula indices are available, we shall apply the escalation formula set out in the attached Appendix A - Proposed Price Escalation Formula.

## **2. BASIS OF OFFER**

The basis of our proposal is as follows:

- a) KFELS DSS38E DP3 is mainly based on the Charter Bid Specifications (where they are applicable to semisubmersibles). Should there be a requirement for the one shear ram type super-shear/casing-shear with capacity for cutting of lining of 14" 113 lb/pe, grau Q-125 HC, this shall be supplied at an additional cost of US\$3.7 million per unit.

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- b) The EPC Contract terms and conditions shall be mutually acceptable to the parties, including, but not limited to, those issues relating to FGCN and requirements to maintain the tax exemptions under the Brazilian tax regimes. The parties shall negotiate in good faith the terms and conditions.

### **Exclusion includes:**

- a) Supply, installation and commissioning of any Third party equipment (mud logging unit, wire-line logging unit, well test equipment, mud centrifuge, etc.).
- b) Drilling loose items (spiders, tubular, drill strings, etc.).

For avoidance of doubt, this offer supersedes any and all earlier proposals on the referenced subject matter.

### **3. PAYMENT TERM**

The payment term for our offer is based on milestones payments according to our schedule as set out in the attached Appendix B: Details of payment schedule.

### **4. TERMS AND CONDITIONS**

This offer shall remain valid for one hundred and twenty (120) days from 3<sup>rd</sup> October 2011 and we herewith provide a guarantee from our parent, Keppel FELS Brasil S.A., to guarantee the validity of this offer.

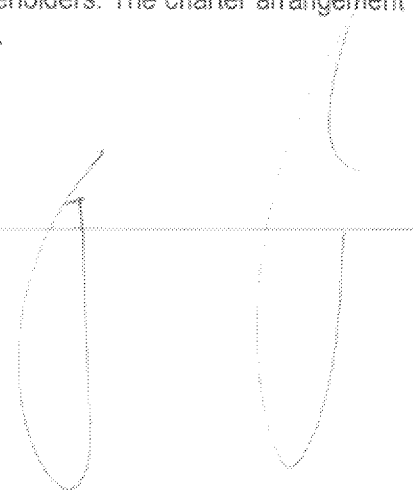
### **5. PROPOSED JOINT VENTURE STRUCTURE**

For the first unit of the series, the proposed Joint Venture (JV) to own the unit shall be made up of a Keppel FELS Ltd designated company (10-20%), a Queiroz Galvão Óleo e Gás S.A designated company (20%) and a Sete Brasil designated company (60-70%). The proposed financing model for this project shall be 20% equity and 80% financing to be secured by Sete Brasil at terms mutually acceptable to all shareholders. The charter arrangement with Petrobras shall be at terms as mutually acceptable to shareholders as well.

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Any associated bonus from Petrobras for the 1st unit will be split 50%-50% between the JV and Keppel FELS Limited. All bonuses for any subsequent units will be 100% for Keppel FELS Limited.

This JV proposal is subjected to Keppel FELS Limited's Board Approval.

### **6. CONFIDENTIALITY AGREEMENT**

All information contained in the Proposal is confidential and will be held in strict confidence by the addressee. The information will not be disclosed, in any part thereof to any person, except to those employees, officers, directors and affiliates at all levels of the addressee who are involved in the tender process of the KFELS DSS38E-DP3 Semi Submersible Drilling Rig, on a need to know basis.

We look forward to a favorable response from you as soon as possible.

Yours faithfully,

BrasFELS Ltda.

Sam Yui Sing

Gilberto Israel

#### **ATTACHMENTS:**

- \* Appendix A: Proposed Price Escalation Formula
- \* Appendix B: Details of payment schedule

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